

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 96-189-E - ORDER NO. 96-433

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JD

JUNE 27, 1996

IN RE: Application of South Carolina Electric	)	ORDER
& Gas Company, Cogen South LLC, and South	)	APPROVING
Carolina Generating Company, Inc. for a	)	APPLICATIONS
Certificate of Public Convenience and	)	
Necessity for the Provision of Steam	)	
(heat) Service.	)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the June 10, 1996 Applications of South Carolina Electric & Gas Company (SCE&G), Cogen South LLC (the Company), and South Carolina Generating Company, Inc. (GENCO).

Westvaco Corporation (Westvaco) owns and operates a paper mill in North Charleston, South Carolina, where it currently produces steam from its own boiler facilities, which is utilized for power in the paper manufacturing process. It also purchases electric power from SCE&G under SCE&G's Commission-approved Rate 23. Westvaco desires to discontinue operation of certain existing steam generation facilities at its mill and secure the services of a contractor which will provide necessary facilities and personnel to convert condensate and make-up water supplied by Westvaco into steam for use at the mill, all in a cost-effective, reliable manner which meets or exceeds environmental requirements.

SCE&G desires to purchase mechanical energy to be utilized in

the generation of electricity which will provide power and voltage support for its service area at a competitive cost.

To achieve the foregoing steam and mechanical energy objectives, the Company was formed by SCANA and Westvaco, and certain agreements have been negotiated and entered into by SCANA, SCE&G, Westvaco, Genco and the Company (the "Project"). The agreements are conditioned on approval by the Commission of those aspects of these transactions which are subject to Commission regulation.

AS TO SOUTH CAROLINA ELECTRIC & GAS COMPANY:

SCE&G proposes to purchase mechanical energy from the Company which SCE&G will utilize in the generation of electricity. A description of the facilities to be utilized, services to be provided, and the location at which such services will be provided are set forth in detail in a shaft horsepower agreement, between the Company and SCE&G, dated June 1, 1996; a contract for electric service, between Westvaco and SCE&G, dated June 1, 1996, and a generator site sublease between the Company and SCE&G, dated June 1, 1996, all incorporated as Exhibits B, C, and D, respectively to the Application. It is specifically noted, however, that pursuant to the terms of Exhibit C (contract for electric service), SCE&G will provide electric power to Westvaco at a rate based upon its Rate 23.

The purposes of those portions of the Project detailed in Exhibits B, C, and D, are to provide SCE&G with mechanical energy for the generation of electricity and to provide Westvaco with

reliable, economical electric power for its mill in North Charleston, South Carolina. Such mechanical energy and electric power will be purchased and supplied as described in the said Exhibits.

The contract for electric service (Ex. C) between SCE&G and Westvaco is subject to Commission review and approval pursuant to S.C. Code Ann. §58-27-980 (1976). Additionally, the contract for electric service (Ex. C), shaft horsepower agreement (Ex. B), between SCE&G and the Company, and the generator site sublease (Ex. D), also between SCE&G and the Company, are appropriate for Commission review and approval pursuant to S.C. Code Ann. §58-27-2090 (1976 & Supp. 1995) because of the affiliated corporate relationships described above.

AS TO COGEN SOUTH LLC:

The Company desires to construct and operate an energy conversion facility to utilize Westvaco mill byproducts, wastes and other fuels to convert condensate and make-up water to steam for use by Westvaco in its manufacturing process and mechanical energy for sale to SCE&G for the generation of electricity. A description of the facilities to be utilized, services to be provided, and the location at which such services will be provided are set forth in detail in the energy conversion agreement between the Company and Westvaco, dated June 1, 1996, incorporated in the Application as Exhibit E. The combustion process utilized by the Company will produce combustion byproducts which will be disposed of at a licensed disposal site owned and operated by Genco pursuant to a

combustion byproducts disposal agreement, between the Company and Genco, dated June 1, 1996, incorporated into the application as Exhibit F.

The purpose of the project detailed in Exhibit E is to provide Westvaco with adequate, economical supplies of steam for Westvaco's North Charleston paper mill. All requirements for steam for the said mill will be purchased by Westvaco from the Company and supplied as described in the energy conversion agreement.

A Certificate of Public Convenience and Necessity is required by Cogen for the provision of steam (heat) service under the terms and conditions of the energy conversion agreement (Ex. E), between the Company and Westvaco, as described herein, in keeping with the Commission's policies and practices under S.C. Code Ann. §58-5-10 et. seq. (1976 & Supp. 1995). The combustion byproducts disposal agreement, between the Company and Genco, is appropriate for Commission review and approval pursuant to S.C. Code Ann. §58-27-2090 (1976 & Supp. 1995) because of the affiliated corporate relationship described above. ✓

AS TO SOUTH CAROLINA GENERATING COMPANY, INC:

The sole responsibilities of Genco in the Project are to provide for the disposal of combustion by-products from the Company at a licensed disposal site owned and operated by Genco, all as more fully described above and set forth in that certain combustion byproducts disposal agreement, between the Company and Genco. See Exhibit F to the Application.

The combustion byproducts disposal agreement between the

Company and Genco, is appropriate for Commission review and approval pursuant to S.C. Code Ann. §58-27-2090 (1976 & Supp. 1995), because of the affiliated corporate relationship, described above.

The Project does not entail construction of a major utility facility as contemplated by S.C. Code Ann. §58-33-110 (1976) and the replacement of the Westvaco's existing utility boiler with a new utility boiler owned and operated by the Company is considered by the South Carolina Department of Health and Environmental Control to be a "replacement of an existing facility with a like facility according to the Utility Facility Siting and Environmental Protection Act as embodied in §58-33-10 et. seq. of the South Carolina Code of Laws."

South Carolina Electric & Gas Company, Cogen South LLC, and South Carolina Generating Company, Inc. have requested that the Commission issue a Certificate of Public Convenience and Necessity for the provision of steam (heat) service, as described herein, to Cogen South LLC pursuant to S.C. Code Ann. § 58-5-10 et. seq. (Supp. 1995) and that those agreements denominated energy conversion agreement, combustion byproducts disposal agreement, shaft horsepower agreement, contract for electric service, generator site sublease, as set forth in the Application as Exhibits B through F, be approved pursuant to S.C. Code Ann. §58-27-980 (1976) and §58-27-2090 (1976 & Supp. 1995), as such Code sections apply to the Project.

The Commission has examined these matters as stated above. We

believe that the Company has stated good cause and that a Certificate of Public Convenience and Necessity should be issued to Cogen South, LLC for the provision of steam (heat). We also believe that the various described agreements should be approved as filed, pursuant to the Code sections as stated above. We think that these approvals will help all of the companies involved to meet their goals with regard to this project.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)